

Message Text

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SUBJECT: PAY GUIDELINES PATTERN FIRMS: PHASE IV
UNCERTAINTY

REF: LONDON 2800

SUMMARY: ALTHOUGH 70 PERCENT OF THE MAJOR SETTLEMENTS
ARE STILL TO BE REACHED, THERE IS GROWING CONFIDENCE
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AMONG MINISTERS AND TRADE UNION LEADERS THAT THIS ROUND
OF PAY POLICY HAS PASSED THE STAGE OF NATIONAL CHALLENGES
AND ACHIEVED NATIONAL ACCEPTANCE. IMPORTANT NEGOTIATIONS
REMAIN. TRADE UNION LEADERS AND MINISTERS NOW SEE THE CLAIMS
BY ELECTRIC POWER MANUAL WORKERS AND RAILWAYMEN AS POSSIBLE
SOURCES OF SERIOUS DISRUPTION, BUT NOT AS THREATS TO PAY
POLICY. LEADERS OF THE UNIONS

INVOLVED PRIVATELY INDICATE THEY EXPECT GUIDELINE SETTLEMENTS THOUGH THERE MAY BE SERIOUS NEGOTIATING HITCHES AND JOB ACTION PRESSURE ON THE EMPLOYERS ALONG THE WAY. ELSEWHERE, CIVIL SERVANTS, ENGINEERS, TEACHERS, DOCKERS, ROAD HAULIERS, WATER WORKERS, POSTMEN, STEEL WORKERS, AND SHIPYARD WORKERS, POSTURING AND PRESSURING, HAVE SETTLED OR APPEAR TO BE MOVING TOWARDS SETTLEMENTS. OF WHICH ONLY A SMALL PROPORTION OF THE TOTAL WILL FALL OUTSIDE PAY GUIDELINES. OFFICIAL FIGURES THUS FAR ARE CONSISTENT WITH AN AVERAGE EARNINGS RISE OF 12-14 PERCENT FOR THIS PAY ROUND - FAR LESS, MINISTERS TELL US, THAN THEY EXPECTED, AND LOWENOUGH NOT TO JEOPARDIZE THE GOVERNMENT'S COUNTER-INFLATIONARY OBJECTIVES. THE TUC AND GOVERNMENT THUS FAR HAVE NOT OPENED A DIALOGUE ABOUT THE POSSIBILITIES OR CHARACTER OF A PHASE IV -- DELIBERATELY SAY MINISTERS AND TUC LEADERS IN ORDER TO CONCENTRATE ON GETTING THROUGH THIS PAY ROUND. BUT SOME MINISTERS AND TRADE UNION LEADERS ARE BECOMING EDGY ABOUT LETTING MATTERS DRIFT, YET THERE IS A CONSENSUS EMERGING AMONG SOME KEY TRADE UNIONISTS THAT WHILE THEY SEE NO AGREED PHASE IV, SOME FORM OF PAY POLICY ACCOMMODATION IS ESSENTIAL FOR THE GOVERNMENT IF IT IS TO PLAN ITS ECONOMIC STRATEGY. COLLECTIVE BARGAINING, IN THEIR VIEW, HAS ITS LIMITS AS AN EQUITABLE AND EFFECTIVE ECONOMIC AND SOCIAL TOOL. END SUMMARY.

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1. GENERAL COUNCIL MEMBERS AND MINISTERS ARE SHOWING CAUTIOUS CONFIDENCE THAT THE GOVERNMENT WILL COME THROUGH THE CURRENT PAY ROUND WITHIN A TOLERABLE DISTANCE OF THE 10 PERCENT WAGE GUIDELINES WHICH, WITH EXTRAS, E.G. PRODUCTIVITY DEALS, MAY BRING RISES IN AVERAGE EARNINGS INTO THE 12-14 PERCENT RANGE. ALTHOUGH EMPLOYERS ARE CRITICAL OF THE GOVERNMENT'S USE OF SANCTIONS AND EFFORTS TO IMPOSE PAY RESTRICTION CLAUSES IN PUBLIC SECTOR CONTRACTS, CBI OFFICIALS PREFER TO ARRIVE AT AN ACCOMMODATION RATHER THAN PRODUCE A CONFRONTATION WITH THE GOVERNMENT THAT MIGHT UPSET THE WAGE MODERATION POLICY. TUC LEADERS MAKE NO SECRET OF THEIR UNWILLINGNESS TO SUPPORT CHALLENGES TO THE GOVERNMENT'S GUIDELINES, NOWITHSTANDING THEIR SHARP CRITICISMS OF THE RIGIDITIES AND ANOMALIES THAT HAVE SURFACED DURING THIS PAY ROUND. MOREOVER, EVEN OUTSPOKEN CRITICS OF PAY POLICY, WHETHER THE ELECTRICIANS' FRANK CHAPPLE OR THE TGWU'S MOSS EVANS(WHO HAS BEGUN TO PLAY ON THE "LEFT") WARN THEIR MEMBERS THAT THIS IS NO TIME TO CHALLENGE A LABOR GOVERNMENT WITH AN ELECTION IN THE AIR. TRADE UNION LEADERS, EMPLOYERS, AND GOVERNMENT OFFICIALS ARE DELIBERATELY AVOIDING PUBLICITY

ABOUT NEGOTIATIONS UNDERWAY IN ORDER TO REDUCE THE RISKS
OF COUNTER-PRODUCTIVE PRESS SPECULATION OVER SORTING
OUT HITCHES IN NEGOTIATIONS. SETTLEMENT OF CURRENT
NEGOTIATIONS WILL SUBSTANTIALLY INCREASE THE NUMBERS
COVERED BY MAJOR SETTLEMENTS; SO FAR THE WAGE ROUND

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HAS COVERED ABOUT 30 PERCENT OF WORKERS. PUBLIC SUPPORT
FOR WAGE RESTRAINT IS BASIC, AND THE CONSERVATIVES, IF
ONE TAKES SHADOW EMPLOYMENT SECRETARY JIM PRIOR AT FACE
VALUE, HAVE CURBED THEIR ADVOCACY OF FREE COLLECTIVE
BARGAINING IN FAVOR OF "RESPONSIBLE COLLECTIVE BAR-
GAINING".

2. A PATTERN SEEMS TO HAVE DEVELOPED THAT 10 PERCENT
IN VARIOUS PERMUTATIONS HAS BECOME THE NORM FROM WHICH
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NEGOTIATIONS START AND TO WHICH AGREEMENT ON OTHER
ISSUES IS SUPPLEMENTARY. LARGE PAY CLAIMS HAVE VIR-
TUALLY DISAPPEARED ALTHOUGH POSTURING FOR "SUBSTANTIAL
INCREASES" CONTINUES. NEGOTIATIONS FOCUS MAINLY ON
SORTING OUT HOW THE 10 PERCENT MIGHT BE ALLOCATED, PLUS
WHATEVER "SELF-FINANCING PRODUCTIVITY DEAL" - REAL OR
OCCASIONALLY ARTIFICIAL - MAY BE AGREED UPON. BUT WITH
EMPHASIS NOW ALMOST ENTIRELY ON THE PUBLIC SECTOR, UNION
LEADERS COMPLAIN THAT THE GOVERNMENT IS BEING VERY RES-
TRICTIVE IN ITS CRITERIA FOR PRODUCTIVITY DEALS AND IN
PARTICULAR IS PRESSURING LOCAL AUTHORITIES TO EXTRACT AS
MUCH AS POSSIBLE FOR THE 10 PERCENT. BUT BARGAINING
REMAINS HARD, WITH EMPLOYERS AND UNIONS COMPROMISING BY
THE INCH, EACH ENGAGING IN TOKEN PRESSURE TACTICS BUT
FEW INCLINED TO ENGAGE IN CONFRONTATION.

3. INDIVIDUAL GROUPS CONTINUE TO CONDUCT THEIR NEGO-
TIATIONS WITH VARYING DEGREES OF MILITANCY AND POSTURIN
TO SATISFY INTERNAL UNION POLITICS, TROUBLING, BUT
NOT THREATENING, PAY POLICY. FRANK CHAPPLE, GENERAL
SECRETARY, OF THE ELECTRICAL, ELECTRONIC, TELECOMMUNI-
CATIONS AND PLUMBING UNION (EETPU). AS LEAD SPOKESMAN
AND STRATEGIST FOR APPROXIMATELY 90,000 ELECTRICAL POWE
SUPPLY WORKERS SEEMS (IN THE VIEW OF HIS TRADE UNION
COLLEAGUES) TO HAVE DIFFUSED THE PROSPECTS OF A NATIONA
CONFRONTATION OVER PAY. AFTER AN INITIAL STANCE OF
MILITANCY, WHICH PUZZLED HIS COLLEAGUES, HE AGREED TO
PUT TO A BALLOT AN ELECTRICITY COUNCIL PAY OFFER
"WITHIN GOVERNMENT GUIDELINES" OF 10 PERCENT PLUS A
PRODUCTIVITY PROPOSAL WHICH MAY ADD SIX TO EIGHT PERCENT
TO EARNINGS. (27,000 SUPERVISORY POWER STATION EMPLOYEES
WHO WOULD PROBABLY HAVE CROSSED PICKET LINES HAD EARLIE
SURPRISINGLY ACCEPTED A GUIDELINE SETTLEMENT OF LO
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PERCENT PLUS A TWO PERCENT PRODUCTIVITY DEAL.) ALTHOUGH
POWER UNION LEADERS (FROM EETPU, TGWU, GMWU. AND AUEW)
MADE NO RECOMMENDATION EITHER TO ACCEPT OR REJECT THE
OFFER, THEY HAVE PASSED THE MESSAGE THROUGH LOCAL
OFFICIALS, AND AN EXPLANATORY CIRCULAR TO MEMBERS THAT
THIS WAS THE BEST OFFER THEY COULD NEGOTIATE AND THEY
WERE NOT PREPARED TO RECOMMEND A CONFRONTATION WITH THE

GOVERNMENT. BY IMPLICATION, THIS WARNING INDICATED TO THE POWER WORKERS THE RISKS TO THEIR OWN INTERESTS OF ANY SUCH CONFRONTATION. POWER UNION LEADERS EXPECT ACCEPTANCE OF THE OFFER, ALTHOUGH THERE MAY BE SOME LOCALIZED UNOFFICIAL INDUSTRIAL ACTION IN THE COAL MINING AREAS WHERE FRUSTRATED POWER WORKERS IN A PROFITABLE NATIONALIZED ENTERPRISE ARE ENVOIOUS OF THE GENEROUS PRODUCTIVITY SETTLEMENT MINERS WON TO RESTORE FLAGGING PRODUCTION LEVELS. THOUGH THE POWER WORKERS HAVE MUSCLE AND WOULD NOT SEEK TUC SUPPORT, INDUSTRIAL ACTION BY THEM WOULD AROUSE GENERAL ANTAGONISM AMONG THE PUBLIC AND OTHER TRADE UNIONISTS AS WELL AS STRONG GOVERNMENT RESISTANCE.

4. IN OTHER NEGOTIATING AREAS, RAIL TALKS ARE COMPLICATED BY INTER-UNION RIVALRY. BARGAINING IS HARD, BUT LEADERS PRIVATELY STATE THEY WILL SETTLE FOR 10 PERCENT AND WHATEVER FRINGES THEY CAN SQUEEZE WHILE AGREEING TO REDUCTIONS IN THE WORK FORCE. AFTER HECTIC PATCHWORK NEGOTIATIONS, ENGINE DRIVERS CALLED OFF A THREATENED ONE-DAY NATIONAL PROTEST STRIKE. A NATIONAL BASIC ENGINEERING AGREEMENT, MARKED BY SOUR NEGOTIATION AND A THREATENED TWO-DAY NATIONAL PROTEST STOPPAGE, HAS BEEN DROPPED IN THE LAP OF THE GOVERNMENT TO DETERMINE WHETHER IT MEETS THE GUIDELINES. IN HEAVY STEEL, MAJOR UNIONS HAVE AGREED TO A GUIDELINE SETTLEMENT AFTER DIFFICULT BARGAINING INCLUDING AGREEMENT TO COOPERATE I LIMITED OFFICIAL USE

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LARGE SCALE CUTS IN THE WORK FORCE (25,000 TO 40,000) BY ACCELERATING THE CLOSURE OF HIGH-COST PLANTS.
-- POST OFFICE WORKERS' LEADERS PRIVATELY STATE THEY WILL SETTLE FOR 10 PERCENT ALTHOUGH THEY WILL TRY TO GET A BIT MORE IF THEY CAN DEVISE A PRODUCTIVITY MEASUREMENT.
-- LEADERS OF THE MAJOR CIVIL SERVICE UNIONS, WHILE PUBLICLY MAKING CLAIMS FOR INCREASES WELL BEYOND THE

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GUIDELINES PRIVATELY STATE THEY WILL SETTLE FOR 10 PERCENT.
-- SCHOOL TEACHERS IN ENGLAND AND WALES ARE SPLIT IN CARRYING OUT SANCTIONS WHICH CONSIST OF REFUSING TO FULFILL CERTAIN "VOLUNTARY" NON-TEACHING SUPERVISORY DUTIES FOR WHICH THEY CLAIM THEY ARE NOT PAID, E.G. SCHOOL LUNCH SUPERVISION; THEY HAVE SUCCEEDED MAINLY IN IRRITATING PARENTS AND STUDENTS INTO COUNTER-PROTESTS, IN SOME CASES LOCKING TEACHERS OUT OF SCHOOLS. HOWEVER, LIMITED OFFICIAL USE

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SOME OF THE LOCAL EDUCATION AUTHORITIES (THE OFFICIAL EMPLOYERS) AGREE WITH THE TEACHERS AGAINST THEIR OWN NEGOTIATORS. WITH A BIT MORE TACT ON BOTH SIDES, THE TEACHERS WOULD HAVE SETTLED FOR 10 PERCENT, WITHOUT THE PRESENT UNPLEASANT COMPLICATIONS.
-- IN SHIPBUILDING, YARD-BY-YARD NEGOTIATIONS HAVE IN IMPORTANT CASES (SUCH AS SWAN HUNTER) RESULTED IN SETTLEMENTS WELL BELOW 10 PERCENT. DOCKERS ARE SETTLING A PORT AT A TIME, SOME BELOW 10 PERCENT.

-- LEADERS IN THE UNEMPLOYMENT-RIDDEN CONSTRUCTION TRADES TELL US THEY WOULD CONSIDER 10 PERCENT A GENEROUS SETTLEMENT, THOUGH THEY MAY HAVE TO MAKE SOME FUSS TO GET IT; AND THE POLICY OFFICERS OF THE GIANT NATIONAL ASSOCIATION OF LOCAL GOVERNMENT OFFICERS (NALGO) WHO COME AT THE END OF THE QUEUE IN JULY ALMOST CASUALLY REMARK THEY WOULD SETTLE FOR 10 PERCENT.

5. AT THIS STAGE THERE SEEMS TO BE NO CONSENSUS AMONG TRADE UNION LEADERS TO DISCUSS THE FORM OR CONTENT OF A POSSIBLE PHASE IV. TOP TUC POLICY OFFICIALS, INCLUDING THOSE WHO ARE CRITICAL OF FREE COLLECTIVE BARGAINING IN THE CURRENT ECONOMIC SITUATION, ARE UNANIMOUS THAT AT THIS TIME THERE WOULD BE OVERWHELMING REJECTION OF ANY SUGGESTION THAT THE TUC BECOME AN AGREED PARTNER WITH THE GOVERNMENT IN ANOTHER ROUND OF WAGE RESTRAINT. THEY ARE AWARE THAT WITH TRADE UNION CONFERENCES DUE TO BEGIN AFTER EASTER, THE NEXT TUC CONGRESS AT BRIGHTON MAY FIND ITSELF LOCKED INTO POLICIES THAT MAY UNDERCUT THE LABOR GOVERNMENT'S ECONOMIC PLANS. THEY NEVERTHELESS HAVE PICKED UP THE THEME OF SOME MINISTERS, INCLUDING CALLAGHAN, DEROGATING THE ROLE OF COLLECTIVE BARGAINING AS A DEVICE FOR EQUITABLE WAGE SETTLEMENTS, AND ARE THINKING ABOUT ROUTES TO AN ACCOMMODATION WITH LIMITED OFFICIAL USE

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THE GOVERNMENT WITHOUT AN AGREED COMMITMENT TO A FIXED PAY POLICY. THE CALLAGHAN GOVERNMENT, THEY SAY, HAS SHOWN ACUMEN IN RESISTING EXCESSIVE WAGE CLAIMS, AND HAS CAPABLY HANDLED MAJOR CONFRONTATIONS. IN DOING SO, IT HAS DRIVEN HOME TO THE RANK AND FILE THE ROLE OF PAY MODERATION IN COUNTERING INFLATION. THE TUC LEADERS ARE BEING DELIBERATELY CAUTIOUS TO AVOID EMBARKING ON A WAGE POLICY DEBATE THAT MAY OPEN SCHISMS THAT COULD DAMAGE THE ELECTION PROSPECTS OF THE GOVERNMENT.

6. THE DEMANDS OF THOSE TRADE UNION LEADERS URGING A RETURN TO "FREE COLLECTIVE BARGAINING", (SUCH AS THE VOCAL 2,000,000 MEMBER TRANSPORT AND GENERAL WORKERS UNION, AND THE EETPU) REALLY CRYSTALLIZE AROUND WHETHER OR NOT THERE WOULD BE A SPECIFIC GUIDELINE FIGURE. THESE LEADERS ARE CRITICAL OF THE TUC BUREAUCRACY AS BEING CONCERNED WITH GENERAL ECONOMIC POLICY AND NOT UNDERSTANDING THE PRACTICAL SHOP FLOOR NEGOTIATING PROBLEMS SPAWNED BY THE RIGIDITIES THAT GROW OUT OF NUMBERS ON GUIDELINES. THEY COMPLAIN WAGE GUIDELINES ARE DISINCENTIVES TO INVESTMENT AND REWARD IN PROFITABLE

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GROWTH INDUSTRIES,PARTICULARLY FOR SKILLED WORKERS,AND
IN EFFECT PROVIDE REWARDS BEYOND SOCIAL NEEDS TO WORKER
IN INEFFICIENT ENTERPRISES. WAGE GUIDELINES, THEY SAY,
FOSTER AN UNREALISTIC WAGE SETTLEMENT CLIMATE WHERE THE
CEILING BECOMES A NORM THAT FEEDS INFLATION WITHOUT
NECESSARILY INCREASING PRODUCTION. THEY ARGUE THAT
THE GOVERNMENT ALREADY HAS ENOUGH POWER TO DEAL WITH
EXCESSES IN THE LABOR MARKET, AND HAS TOO LITTLE APPRE-
CIATION OF THE DISCIPLINE THE MARKET IMPOSES IN ALLO-
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CATING AND PRICING LABOR. MOREOVER, FIXED FIGURE GUIDE LINES, THEY SAY, WEAKEN THE INDEPENDENCE AND INCLINATION OF UNIONS AND EMPLOYERS TO NEGOTIATE REALISTICALLY IN TERMS OF THEIR INDUSTRY. PROPONENTS OF "FREE COLLECTIVE BARGAINING" SAY HOWEVER, THEY ARE SERIOUSLY DISTURBED THAT ONE WAY OR ANOTHER THE GOVERNMENT WILL DRAW THE UNIONS INTO A FIXED FIGURE PAY POLICY THROUGH A SIDE DOOR.

7. WITH SUCH DIVISIONS IN TRADE UNION RANKS, THE INNER POLICY CIRCLE OF THE TUC NOW TAKES THE POSTURE THAT THERE CAN BE NO AGREED PHASE IV. MORE LIKELY THERE WILL HAVE TO BE SOME SORT OF ACCOMMODATION, POSSIBLY IMPLICIT, FOR CONTINUATION OF A PAY MODERATION POLICY BUT WITH SAFETY VALVES TO PROVIDE FOR ANOMALIES, DIFFERENTIALS AND SPECIAL CIRCUMSTANCES THAT CAN BE SORTED OUT IN A FREER LABOR MARKET. RESPONSIBILITY FOR THE POLICY WILL BE THE GOVERNMENT'S, WHILE THE TRADE UNION MOVEMENT, AS A FRIENDLY INSTITUTION, WOULD REMAIN FREE TO PRESS ITS VIEWS ON A LABOR GOVERNMENT.

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